

Union Calendar No. 153

107TH CONGRESS
1ST SESSION

H. R. 3090

[Report No. 107-251]

To provide tax incentives for economic recovery.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 11, 2001

Mr. THOMAS introduced the following bill; which was referred to the
Committee on Ways and Means

OCTOBER 17, 2001

Reported with an amendment, committed to the Committee of the Whole
House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on October 11, 2001]

A BILL

To provide tax incentives for economic recovery.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) *SHORT TITLE.*—*This Act may be cited as the*
5 *“Economic Security and Recovery Act of 2001”.*

1 (b) *REFERENCES TO INTERNAL REVENUE CODE OF*
 2 *1986.—Except as otherwise expressly provided, whenever in*
 3 *this Act an amendment or repeal is expressed in terms of*
 4 *an amendment to, or repeal of, a section or other provision,*
 5 *the reference shall be considered to be made to a section or*
 6 *other provision of the Internal Revenue Code of 1986.*

7 (c) *TABLE OF CONTENTS.—*

Sec. 1. Short title; etc.

TITLE I—BUSINESS PROVISIONS

*Sec. 101. Special depreciation allowance for certain property acquired after Sep-
 tember 10, 2001, and before September 11, 2004.*

Sec. 102. Temporary increase in expensing under section 179.

Sec. 103. Repeal of alternative minimum tax on corporations.

Sec. 104. Carryback of certain net operating losses allowed for 5 years.

Sec. 105. Recovery period for depreciation of certain leasehold improvements.

TITLE II—INDIVIDUAL PROVISIONS

Sec. 201. Acceleration of 25 percent individual income tax rate.

*Sec. 202. Repeal of 5-year holding period requirement for reduced individual cap-
 ital gains rates.*

*Sec. 203. Temporary increase in deduction for capital losses of taxpayers other
 than corporations.*

*Sec. 204. Temporary expansion of penalty-free retirement plan distributions for
 health insurance premiums of unemployed individuals.*

TITLE III—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Two-Year Extensions

*Sec. 301. Allowance of nonrefundable personal credits against regular and min-
 imum tax liability.*

Sec. 302. Credit for qualified electric vehicles.

Sec. 303. Credit for electricity produced from renewable resources.

Sec. 304. Work opportunity credit.

Sec. 305. Welfare-to-work credit.

Sec. 306. Deduction for clean-fuel vehicles and certain refueling property.

*Sec. 307. Taxable income limit on percentage depletion for oil and natural gas
 produced from marginal properties.*

Sec. 308. Qualified zone academy bonds.

Sec. 309. Cover over of tax on distilled spirits.

Sec. 310. Parity in the application of certain limits to mental health benefits.

*Sec. 311. Delay in effective date of requirement for approved diesel or kerosene
 terminals.*

*Subtitle B—One-Year Extensions**Sec. 321. One-year extension of availability of medical savings accounts.**Subtitle C—Permanent Extensions**Sec. 331. Subpart F exemption for active financing.**Subtitle D—Other Provisions**Sec. 341. Excluded cancellation of indebtedness income of S corporation not to result in adjustment to basis of stock of shareholders.**Sec. 342. Limitation on use of nonaccrual experience method of accounting.***TITLE IV—SUPPLEMENTAL REBATE; OTHER PROVISIONS***Sec. 401. Supplemental rebate.**Sec. 402. Special Reed Act transfer in fiscal year 2002.***TITLE V—HEALTH CARE ASSISTANCE FOR THE UNEMPLOYED***Sec. 501. Health care assistance for the unemployed.***1 TITLE I—BUSINESS PROVISIONS****2 SEC. 101. SPECIAL DEPRECIATION ALLOWANCE FOR CER-****3 TAIN PROPERTY ACQUIRED AFTER SEP-****4 TEMBER 10, 2001, AND BEFORE SEPTEMBER****5 11, 2004.**

6 (a) *IN GENERAL.*—Section 168 (relating to accelerated
7 cost recovery system) is amended by adding at the end the
8 following new subsection:

9 “(k) *SPECIAL ALLOWANCE FOR CERTAIN PROPERTY*
10 *ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE*
11 *SEPTEMBER 11, 2004.*—

12 “(1) *ADDITIONAL ALLOWANCE.*—*In the case of*
13 *any qualified property—*

14 “(A) *the depreciation deduction provided by*
15 *section 167(a) for the taxable year in which such*
16 *property is placed in service shall include an al-*

1 *lowance equal to 30 percent of the adjusted basis*
2 *of the qualified property, and*

3 *“(B) the adjusted basis of the qualified*
4 *property shall be reduced by the amount of such*
5 *deduction before computing the amount otherwise*
6 *allowable as a depreciation deduction under this*
7 *chapter for such taxable year and any subsequent*
8 *taxable year.*

9 *“(2) QUALIFIED PROPERTY.—For purposes of*
10 *this subsection—*

11 *“(A) IN GENERAL.—The term ‘qualified*
12 *property’ means property—*

13 *“(i)(I) to which this section applies*
14 *which has a recovery period of 20 years or*
15 *less or which is water utility property, or*

16 *“(II) which is computer software (as*
17 *defined in section 167(f)(1)(B)) for which a*
18 *deduction is allowable under section 167(a)*
19 *without regard to this subsection,*

20 *“(ii) the original use of which com-*
21 *mences with the taxpayer after September*
22 *10, 2001,*

23 *“(iii) which is—*

24 *“(I) acquired by the taxpayer*
25 *after September 10, 2001, and before*

1 *September 11, 2004, but only if no*
2 *written binding contract for the acqui-*
3 *sition was in effect before September*
4 *11, 2001, or*

5 *“(II) acquired by the taxpayer*
6 *pursuant to a written binding contract*
7 *which was entered into after September*
8 *10, 2001, and before September 11,*
9 *2004, and*

10 *“(iv) which is placed in service by the*
11 *taxpayer before January 1, 2005.*

12 *“(B) EXCEPTIONS.—*

13 *“(i) ALTERNATIVE DEPRECIATION*
14 *PROPERTY.—The term ‘qualified property’*
15 *shall not include any property to which the*
16 *alternative depreciation system under sub-*
17 *section (g) applies, determined—*

18 *“(I) without regard to paragraph*
19 *(7) of subsection (g) (relating to elec-*
20 *tion to have system apply), and*

21 *“(II) after application of section*
22 *280F(b) (relating to listed property*
23 *with limited business use).*

24 *“(ii) ELECTION OUT.—If a taxpayer*
25 *makes an election under this clause with re-*

1 *spect to any class of property for any tax-*
2 *able year, this subsection shall not apply to*
3 *all property in such class placed in service*
4 *during such taxable year.*

5 “(iii) *REPAIRED OR RECONSTRUCTED*
6 *PROPERTY.—Except as otherwise provided*
7 *in regulations, the term ‘qualified property’*
8 *shall not include any repaired or recon-*
9 *structed property.*

10 “(iv) *QUALIFIED LEASEHOLD IM-*
11 *PROVEMENT PROPERTY.—The term ‘quali-*
12 *fied property’ shall not include any quali-*
13 *fied leasehold improvement property (as de-*
14 *finied in section 168(e)(6)).*

15 “(C) *SPECIAL RULES RELATING TO ORIGI-*
16 *NAL USE.—*

17 “(i) *SELF-CONSTRUCTED PROPERTY.—*
18 *In the case of a taxpayer manufacturing,*
19 *constructing, or producing property for the*
20 *taxpayer’s own use, the requirements of*
21 *clause (iii) of subparagraph (A) shall be*
22 *treated as met if the taxpayer begins manu-*
23 *facturing, constructing, or producing the*
24 *property after September 10, 2001, and be-*
25 *fore September 11, 2004.*

1 “(ii) *SALE-LEASEBACKS.*—*For purposes of subparagraph (A)(ii), if property—*

2 “(I) *is originally placed in service*
3 *after September 10, 2001, by a person,*
4 *and*

5 “(II) *sold and leased back by such*
6 *person within 3 months after the date*
7 *such property was originally placed in*
8 *service,*

9 *such property shall be treated as originally*
10 *placed in service not earlier than the date*
11 *on which such property is used under the*
12 *leaseback referred to in subclause (II).*

13 “(D) *COORDINATION WITH SECTION 280F.*—

14 *For purposes of section 280F—*

15 “(i) *AUTOMOBILES.*—*In the case of a*
16 *passenger automobile (as defined in section*
17 *280F(d)(5)) which is qualified property, the*
18 *Secretary shall increase the limitation*
19 *under section 280F(a)(1)(A)(i) by \$4,600.*

20 “(ii) *LISTED PROPERTY.*—*The deduc-*
21 *tion allowable under paragraph (1) shall be*
22 *taken into account in computing any recap-*
23 *ture amount under section 280F(b)(2).”*
24

1 (b) *ALLOWANCE AGAINST ALTERNATIVE MINIMUM*
2 *TAX.*—

3 (1) *IN GENERAL.*—Section 56(a)(1)(A) (relating
4 to depreciation adjustment for alternative minimum
5 tax) is amended by adding at the end the following
6 new clause:

7 “(iii) *ADDITIONAL ALLOWANCE FOR*
8 *CERTAIN PROPERTY ACQUIRED AFTER SEP-*
9 *TEMBER 10, 2001, AND BEFORE SEPTEMBER*
10 *11, 2004.*—The deduction under section
11 168(k) shall be allowed.”

12 (2) *CONFORMING AMENDMENT.*—Clause (i) of
13 section 56(a)(1)(A) is amended by striking “clause
14 (ii)” both places it appears and inserting “clauses (ii)
15 and (iii)”.

16 (c) *EFFECTIVE DATE.*—The amendments made by this
17 section shall apply to property placed in service after Sep-
18 tember 10, 2001, in taxable years ending after such date.

19 **SEC. 102. TEMPORARY INCREASE IN EXPENSING UNDER**
20 **SECTION 179.**

21 (a) *IN GENERAL.*—The table contained in section
22 179(b)(1) (relating to dollar limitation) is amended to read
23 as follows:

“If the taxable year begins in:	The applicable amount is:
2001	\$24,000
2002 or 2003	\$35,000
2004 or thereafter	\$25,000.”

1 (b) *TEMPORARY INCREASE IN AMOUNT OF PROPERTY*
 2 *TRIGGERING PHASEOUT OF MAXIMUM BENEFIT.*—Para-
 3 *graph (2) of section 179(b) is amended by inserting before*
 4 *the period “(\$325,000 in the case of taxable years beginning*
 5 *during 2002 or 2003)”.*

6 (c) *EFFECTIVE DATE.*—*The amendments made by this*
 7 *section shall apply to taxable years beginning after Decem-*
 8 *ber 31, 2001.*

9 **SEC. 103. REPEAL OF ALTERNATIVE MINIMUM TAX ON COR-**
 10 **PORATIONS.**

11 (a) *IN GENERAL.*—*So much of section 55 as precedes*
 12 *subsection (b)(2) is amended to read as follows:*

13 **“SEC. 55. ALTERNATIVE MINIMUM TAX FOR TAXPAYERS**
 14 **OTHER THAN CORPORATIONS.**

15 “(a) *IN GENERAL.*—*In the case of a taxpayer other*
 16 *than a corporation, there is hereby imposed (in addition*
 17 *to any other tax imposed by this subtitle) a tax equal to*
 18 *the excess (if any) of—*

19 “(1) *the tentative minimum tax for the taxable*
 20 *year, over*

21 “(2) *the regular tax for the taxable year.*

22 “(b) *TENTATIVE MINIMUM TAX.*—*For purposes of this*
 23 *part—*

24 “(1) *AMOUNT OF TENTATIVE TAX.*—

1 “(A) *IN GENERAL.*—*The tentative minimum*
2 *tax for the taxable year is the sum of—*

3 “(i) *26 percent of so much of the tax-*
4 *able excess as does not exceed \$175,000, plus*

5 “(ii) *28 percent of so much of the tax-*
6 *able excess as exceeds \$175,000.*

7 *The amount determined under the preceding sen-*
8 *tence shall be reduced by the alternative min-*
9 *imum tax foreign tax credit for the taxable year.*

10 “(B) *TAXABLE EXCESS.*—*For purposes of*
11 *this subsection, the term ‘taxable excess’ means so*
12 *much of the alternative minimum taxable income*
13 *for the taxable year as exceeds the exemption*
14 *amount.*

15 “(C) *MARRIED INDIVIDUAL FILING SEPA-*
16 *RATE RETURN.*—*In the case of a married indi-*
17 *vidual filing a separate return, clause (i) shall*
18 *be applied by substituting ‘\$87,500’ for*
19 *‘\$175,000’ each place it appears. For purposes of*
20 *the preceding sentence, marital status shall be*
21 *determined under section 7703.”*

22 (b) *CONFORMING AMENDMENTS.*—

23 (1) *Paragraph (3) of section 55(b) is amended by*
24 *striking “paragraph (1)(A)(i)” and inserting “para-*
25 *graph (1)(A)”.*

1 (2) Paragraph (1) of section 55(c) is amended by
2 striking “, the section 936 credit allowable under sec-
3 tion 27(b), and the Puerto Rico economic activity
4 credit under section 30A”.

5 (3)(A) Paragraph (1) of section 55(d) is amend-
6 ed by—

7 (i) by striking “FOR TAXPAYERS OTHER
8 THAN CORPORATIONS” in the heading, and

9 (ii) by striking “In the case of a taxpayer
10 other than a corporation, the” and inserting
11 “The”.

12 (B) Section 55(d) is amended by striking para-
13 graph (2) and by redesignating paragraph (3) as
14 paragraph (2).

15 (C) Subparagraph (A) of section 55(d)(2), as so
16 redesignated is amended by striking “or (2)”.

17 (4) Section 55 is amended by striking subsection
18 (e).

19 (5)(A) The designation and heading for sub-
20 section (a) of section 56 is amended to read as fol-
21 lows:

22 “(a) GENERAL RULES.—”.

23 (B) Paragraph (1) of section 56(a) is amended
24 by striking subparagraph (D).

25 (C) Paragraph (6) of section 56(a) is amended—

1 (i) by striking “paragraph (2) or subsection
2 (b)(2)” and inserting “paragraph (2) or (9)”,
3 and

4 (ii) by striking “or (5), or subsection
5 (b)(2)” and inserting “(5), or (9)”.

6 (6)(A) Subsection (b) of section 56 is amended
7 by striking so much of such subsection as precedes
8 paragraph (1) and by redesignating paragraphs (1),
9 (2), and (3) as paragraphs (8), (9), and (10), respec-
10 tively, of subsection (a).

11 (B) Paragraph (9) of section 56(a), as so redesign-
12 ated, is amended by striking subparagraph (C) and
13 by redesignating subparagraph (D) as subparagraph
14 (C).

15 (7) Section 56 is amended by striking sub-
16 sections (c) and (g) and by redesignating subsections
17 (d) and (e) as subsections (b) and (c), respectively.

18 (8) Subparagraph (E) of section 57(a)(2) is
19 amended—

20 (A) by striking “FOR INDEPENDENT PRO-
21 DUCERS” in the heading, and

22 (B) by striking clause (i) and inserting the
23 following new clause:

1 “(i) *IN GENERAL.*—*This paragraph*
2 *shall not apply to any taxable year begin-*
3 *ning after December 31, 1992.*”

4 (9) *Subsection (a) of section 58 is amended by*
5 *striking paragraph (3) and by redesignating para-*
6 *graph (4) as paragraph (3).*

7 (10)(A) *Section 59 is amended by striking sub-*
8 *sections (b) and (f) and by redesignating subsections*
9 *(c), (d), (e), (g), (h), (i), and (j) as subsections (b),*
10 *(c), (d), (e), (f), (g), and (h), respectively.*

11 (B) *Paragraph (2) of section 59(d), as so redesign-*
12 *ated, is amended by striking “(determined without*
13 *regard to section 291)”.*

14 (C) *Sections 173(b), 174(f)(2), 263(c),*
15 *263A(c)(6), 616(e), 617(i), and 1016(a)(20) are each*
16 *amended by striking “59(e)” each place it appears*
17 *and inserting “59(d)”.*

18 (11) *Subsection (d) of section 11 is amended by*
19 *striking “the taxes imposed by subsection (a) and sec-*
20 *tion 55” and inserting “the tax imposed by subsection*
21 *(a)”.*

22 (12) *Section 12 is amended by striking para-*
23 *graph (7).*

24 (13) *Paragraph (6) of section 29(b) is amended*
25 *to read as follows:*

1 “(6) *APPLICATION WITH OTHER CREDITS.*—*The*
2 *credit allowed by subsection (a) for any taxable year*
3 *shall not exceed the excess (if any) of the regular tax*
4 *for the taxable year reduced by the sum of the credits*
5 *allowable under subpart A and section 27. In the case*
6 *of a taxpayer other than a corporation, such excess*
7 *shall be further reduced (but not below zero) by the*
8 *tentative minimum tax for the taxable year.*”

9 (14) *Paragraph (3) of section 30(b) is amended*
10 *to read as follows:*

11 “(3) *APPLICATION WITH OTHER CREDITS.*—*The*
12 *credit allowed by subsection (a) for any taxable year*
13 *shall not exceed the excess (if any) of the regular tax*
14 *for the taxable year reduced by the sum of the credits*
15 *allowable under subpart A and sections 27 and 29. In*
16 *the case of a taxpayer other than a corporation, such*
17 *excess shall be further reduced (but not below zero) by*
18 *the tentative minimum tax for the taxable year.*”

19 (15)(A) *Paragraph (1) of section 38(c) is amend-*
20 *ed to read as follows:*

21 “(1) *IN GENERAL.*—

22 “(A) *CORPORATIONS.*—*In the case of a cor-*
23 *poration, the credit allowed under subsection (a)*
24 *for any taxable year shall not exceed the excess*
25 *(if any) of the taxpayer’s net income tax over 25*

1 *percent of so much of the taxpayer’s net regular*
2 *tax liability as exceeds \$25,000.*

3 “(B) *TAXPAYERS OTHER THAN CORPORA-*
4 *TIONS.—In the case of a taxpayer other than a*
5 *corporation, the credit allowed under subsection*
6 *(a) for any taxable year shall not exceed the ex-*
7 *cess (if any) of the taxpayer’s net income tax*
8 *over the greater of—*

9 *“(i) the tentative minimum tax for the*
10 *taxable year, or*

11 *“(ii) 25 percent of so much of the tax-*
12 *payer’s net regular tax liability as exceeds*
13 *\$25,000.*

14 “(C) *DEFINITIONS.—For purposes of this*
15 *paragraph—*

16 *“(i) the term ‘net income tax’ means*
17 *the sum of the regular tax liability and the*
18 *tax imposed by section 55, reduced by the*
19 *credits allowable under subparts A and B of*
20 *this part, and*

21 *“(ii) the term ‘net regular tax liability’*
22 *means the regular tax liability reduced by*
23 *the sum of the credits allowable under sub-*
24 *parts A and B of this part.”*

1 (B) Clause (ii) of section 38(c)(2)(A) is amended
2 to read as follows:

3 “(ii) for purposes of applying para-
4 graph (1) to such credit—

5 “(I) the applicable limitation
6 under paragraph (1) (as modified by
7 subclause (II) in the case of a taxpayer
8 other than a corporation) shall be re-
9 duced by the credit allowed under sub-
10 section (a) for the taxable year (other
11 than the empowerment zone employ-
12 ment credit), and

13 “(II) in the case of a taxpayer
14 other than a corporation, 75 percent of
15 the tentative minimum tax shall be
16 substituted for the tentative minimum
17 tax under subparagraph (B)(i) there-
18 of.”

19 (C) Paragraph (3) of section 38(c) is amended
20 by striking “subparagraph (B) of” each place it ap-
21 pears.

22 (16)(A) Subclause (I) of section 53(d)(1)(B)(ii)
23 is amended by striking “subsection (b)(1)” and in-
24 serting “subsection (a)(8)”.

1 (B) Clause (iv) of section 53(d)(1)(B) is hereby
2 repealed.

3 (17)(A) Part VII of subchapter A of chapter 1 is
4 hereby repealed.

5 (B) The table of parts for subchapter A of chap-
6 ter 1 is amended by striking the item relating to part
7 VII.

8 (C) Paragraph (2) of section 26(b) is amended
9 by striking subparagraph (B) and by redesignating
10 the succeeding subparagraphs accordingly.

11 (D) Subsection (c) of section 30A is amended by
12 striking paragraph (1) and redesignating the suc-
13 ceeding paragraphs accordingly.

14 (E) Subsection (a) of section 164 is amended by
15 striking paragraph (5).

16 (F) Subsection (a) of section 275 is amended by
17 striking “Paragraph (1) shall not apply to the tax
18 imposed by section 59A.”

19 (G) Paragraph (1) of section 882(a) is amended
20 by striking “59A,”.

21 (H) Paragraph (3) of section 936(a) is amended
22 by striking subparagraph (A) and redesignating the
23 succeeding subparagraphs accordingly.

24 (I) Subsection (a) of section 1561 is amended by
25 adding “and” at the end of paragraph (2), by strik-

1 *ing “, and” at the end of paragraph (3) and inserting*
2 *a period, and by striking paragraph (4).*

3 *(J) Subparagraph (A) of section 6425(c)(1) is*
4 *amended by adding “plus” at the end of clause (i),*
5 *by striking “plus” at the end of clause (ii) and insert-*
6 *ing “over”, and by striking clause (iii).*

7 *(18) Section 382(l) (relating to limitation on net*
8 *operating loss carryforwards and certain built-in*
9 *losses following ownership change) is amended by*
10 *striking paragraph (7) and by redesignating para-*
11 *graph (8) as paragraph (7).*

12 *(19) Paragraph (2) of section 815(c) (relating to*
13 *distributions to shareholders from pre-1984 policy-*
14 *holders surplus account) is amended by striking the*
15 *last sentence.*

16 *(20) Section 847 (relating to special estimated*
17 *tax payments) is amended—*

18 *(A) in paragraph (9), by striking the last*
19 *sentence; and*

20 *(B) in paragraph (10), by inserting “and”*
21 *at the end of subparagraph (A) and by striking*
22 *subparagraph (B) and redesignating subpara-*
23 *graph (C) as subparagraph (B).*

24 *(21) Section 848 (relating to capitalization of*
25 *certain policy acquisition expenses) is amended by*

1 *striking subsection (i) and by redesignating sub-*
2 *section (j) as subsection (i).*

3 (22) *Paragraph (1) of section 882(a) (relating to*
4 *tax on income of foreign corporations connected with*
5 *United States business) is amended by striking “55,”.*

6 (23) *Paragraph (1) of section 962(a) (relating to*
7 *election by individuals to be subject to tax at cor-*
8 *porate rates) is amended by striking “sections 11 and*
9 *55” and inserting “section 11”.*

10 (24) *Subsection (a) of section 1561 (relating to*
11 *limitations on certain multiple tax benefits in the*
12 *case of certain controlled corporations) is amended by*
13 *striking the last sentence.*

14 (25) *Subparagraph (A) of section 6425(c)(1) (de-*
15 *fining income tax liability), as amended by para-*
16 *graph (17) is amended to read as follows:*

17 “(A) *the tax imposed by section 11 or*
18 *1201(a), or subchapter L of chapter 1, whichever*
19 *is applicable, over”.*

20 (26)(A) *Paragraph (2) of section 6655(e) is*
21 *amended—*

22 (i) *by striking “, alternative minimum tax-*
23 *able income, and modified alternative minimum*
24 *taxable income” each place it appears in sub-*
25 *paragraphs (A) and (B)(i), and*

1 (B) for purposes of such Code (other than
2 section 53 of such Code), the credit allowed by
3 section 53 of such Code for such first taxable
4 year shall be treated as if it were allowed by sub-
5 part C of part IV of subchapter A of chapter 1
6 of such Code (relating to refundable credits).

7 (2) SPECIAL RULES RELATING TO
8 CARRYBACKS.—In the case of a carryback of a cor-
9 poration from a taxable year beginning after Decem-
10 ber 31, 2000, to a taxable year beginning before Janu-
11 ary 1, 2001—

12 (A) the tax imposed by section 55 of such
13 Code shall not be increased or decreased by rea-
14 son of such a carryback,

15 (B) tentative minimum tax shall not be in-
16 creased or decreased by reason of such a
17 carryback for purposes of determining the
18 amount of any credit other than the credit al-
19 lowed by section 38, and

20 (C) the amount of such a carryback which
21 is taken into account in determining tentative
22 minimum tax for purposes of section 38(c) shall
23 be the amount of such carryback which is taken
24 into account in determining regular tax liabil-
25 ity.

1 **SEC. 104. CARRYBACK OF CERTAIN NET OPERATING LOSSES**
2 **ALLOWED FOR 5 YEARS.**

3 (a) *IN GENERAL.*—Paragraph (1) of section 172(b)
4 (relating to years to which loss may be carried) is amended
5 by adding at the end the following new subparagraph:

6 “(H) In the case of a taxpayer which has
7 a net operating loss for any taxable year ending
8 after September 10, 2001, and before September
9 11, 2004, subparagraph (A)(i) shall be applied
10 by substituting ‘5’ for ‘2’ and subparagraph (F)
11 shall not apply.”.

12 (b) *ELECTION TO DISREGARD 5-YEAR CARRYBACK.*—
13 Section 172 (relating to net operating loss deduction) is
14 amended by redesignating subsection (j) as subsection (k)
15 and by inserting after subsection (i) the following new sub-
16 section:

17 “(j) *ELECTION TO DISREGARD 5-YEAR CARRYBACK*
18 *FOR CERTAIN NET OPERATING LOSSES.*—Any taxpayer en-
19 titled to a 5-year carryback under subsection (b)(1)(H)
20 from any loss year may elect to have the carryback period
21 with respect to such loss year determined without regard
22 to subsection (b)(1)(H). Such election shall be made in such
23 manner as may be prescribed by the Secretary and shall
24 be made by the due date (including extensions of time) for
25 filing the taxpayer’s return for the taxable year of the net

1 *operating loss. Such election, once made for any taxable*
2 *year, shall be irrevocable for such taxable year.”.*

3 *(c) TEMPORARY SUSPENSION OF 90 PERCENT LIMIT*
4 *ON CERTAIN NOL CARRYBACKS.—Subparagraph (A) of sec-*
5 *tion 56(b)(1) (relating to general rule defining alternative*
6 *tax net operating loss deduction), as amended by section*
7 *103, is amended to read as follows:*

8 *“(A) the amount of such deduction shall not*
9 *exceed the sum of—*

10 *“(i) the lesser of—*

11 *“(I) the amount of such deduction*
12 *attributable to net operating losses*
13 *(other than the deduction attributable*
14 *to carrybacks described in clause*
15 *(ii)(I)), or*

16 *“(II) 90 percent of alternate min-*
17 *imum taxable income determined with-*
18 *out regard to such deduction, plus*

19 *“(ii) the lesser of—*

20 *“(I) the amount of such deduction*
21 *attributable to carrybacks of net oper-*
22 *ating losses for taxable years ending*
23 *after September 10, 2001, and before*
24 *September 11, 2004, or*

1 “(II) alternate minimum taxable
 2 income determined without regard to
 3 such deduction reduced by the amount
 4 determined under clause (i), and”.

5 (d) *EFFECTIVE DATE.*—The amendments made by this
 6 section shall apply to net operating losses for taxable years
 7 ending after September 10, 2001.

8 **SEC. 105. RECOVERY PERIOD FOR DEPRECIATION OF CER-**
 9 **TAIN LEASEHOLD IMPROVEMENTS.**

10 (a) *15-YEAR RECOVERY PERIOD.*—Subparagraph (E)
 11 of section 168(e)(3) (relating to 15-year property) is amend-
 12 ed by striking “and” at the end of clause (ii), by striking
 13 the period at the end of clause (iii) and inserting “, and”,
 14 and by adding at the end the following new clause:

15 “(iv) any qualified leasehold improve-
 16 ment property.”.

17 (b) *QUALIFIED LEASEHOLD IMPROVEMENT PROP-*
 18 *ERTY.*—Subsection (e) of section 168 is amended by adding
 19 at the end the following new paragraph:

20 “(6) *QUALIFIED LEASEHOLD IMPROVEMENT*
 21 *PROPERTY.*—

22 “(A) *IN GENERAL.*—The term ‘qualified
 23 leasehold improvement property’ means any im-
 24 provement to an interior portion of a building
 25 which is nonresidential real property if—

1 “(i) such improvement is made under
2 or pursuant to a lease (as defined in sub-
3 section (h)(7))—

4 “(I) by the lessee (or any subles-
5 see) of such portion, or

6 “(II) by the lessor of such portion,

7 “(ii) such portion is to be occupied ex-
8 clusively by the lessee (or any sublessee) of
9 such portion, and

10 “(iii) such improvement is placed in
11 service more than 3 years after the date the
12 building was first placed in service.

13 “(B) CERTAIN IMPROVEMENTS NOT IN-
14 CLUDED.—Such term shall not include any im-
15 provement for which the expenditure is attrib-
16 utable to—

17 “(i) the enlargement of the building,

18 “(ii) any elevator or escalator,

19 “(iii) any structural component bene-
20 fitting a common area, and

21 “(iv) the internal structural framework
22 of the building.

23 “(C) DEFINITIONS AND SPECIAL RULES.—

24 For purposes of this paragraph—

1 “(i) *COMMITMENT TO LEASE TREATED*
2 *AS LEASE.*—A commitment to enter into a
3 lease shall be treated as a lease, and the
4 parties to such commitment shall be treated
5 as lessor and lessee, respectively.

6 “(ii) *RELATED PERSONS.*—A lease be-
7 tween related persons shall not be considered
8 a lease. For purposes of the preceding sen-
9 tence, the term ‘related persons’ means—

10 “(I) members of an affiliated
11 group (as defined in section 1504), and

12 “(II) persons having a relation-
13 ship described in subsection (b) of sec-
14 tion 267; except that, for purposes of
15 this clause, the phrase ‘80 percent or
16 more’ shall be substituted for the
17 phrase ‘more than 50 percent’ each
18 place it appears in such subsection.

19 “(D) *IMPROVEMENTS MADE BY LESSOR.*—

20 “(i) *IN GENERAL.*—In the case of an
21 improvement made by the person who was
22 the lessor of such improvement when such
23 improvement was placed in service, such
24 improvement shall be qualified leasehold
25 improvement property (if at all) only so

1 long as such improvement is held by such
 2 person.

3 “(ii) *EXCEPTION FOR CHANGES IN*
 4 *FORM OF BUSINESS.*—Property shall not
 5 cease to be qualified leasehold improvement
 6 property under clause (i) by reason of—

7 “(I) death,

8 “(II) a transaction to which sec-
 9 tion 381(a) applies, or

10 “(III) a mere change in the form
 11 of conducting the trade or business so
 12 long as the property is retained in
 13 such trade or business as qualified
 14 leasehold improvement property and
 15 the taxpayer retains a substantial in-
 16 terest in such trade or business.”

17 (c) *REQUIREMENT TO USE STRAIGHT LINE METH-*
 18 *OD.*—Paragraph (3) of section 168(b) is amended by adding
 19 at the end the following new subparagraph:

20 “(G) Qualified leasehold improvement prop-
 21 erty described in subsection (e)(6).”.

22 (d) *ALTERNATIVE SYSTEM.*—The table contained in
 23 section 168(g)(3)(B) is amended by adding at the end the
 24 following new item:

“(E)(iv) 15”.

1 (e) *EFFECTIVE DATE.*—*The amendments made by this*
2 *section shall apply to qualified leasehold improvement*
3 *property placed in service after September 10, 2001.*

4 **TITLE II—INDIVIDUAL**
5 **PROVISIONS**

6 **SEC. 201. ACCELERATION OF 25 PERCENT INDIVIDUAL IN-**
7 **COME TAX RATE.**

8 (a) *IN GENERAL.*—*The table contained in paragraph*
9 *(2) of section 1(i) (relating to reductions in rates after June*
10 *30, 2001) is amended—*

11 (1) *by striking “27.0%” and inserting “25.0%”,*
12 *and*

13 (2) *by striking “26.0%” and inserting “25.0%”.*

14 (b) *REDUCTION NOT TO INCREASE MINIMUM TAX.*—

15 (1) *Subparagraph (A) of section 55(d)(1) is*
16 *amended by striking “(\$49,000 in the case of taxable*
17 *years beginning in 2001, 2002, 2003, and 2004)” and*
18 *inserting “(\$49,000 in the case of taxable years begin-*
19 *ning in 2001, \$52,200 in the case of taxable years be-*
20 *ginning in 2002 or 2003, and \$50,700 in the case of*
21 *taxable years beginning in 2004)”.*

22 (2) *Subparagraph (B) of section 55(d)(1) is*
23 *amended by striking “(\$35,750 in the case of taxable*
24 *years beginning in 2001, 2002, 2003, and 2004)” and*
25 *inserting “(\$35,750 in the case of taxable years begin-*

1 (E) *The second sentence of section*
2 *607(h)(6)(A) of the Merchant Marine Act, 1936.*

3 (b) *CONFORMING AMENDMENTS.—*

4 (1) *Subsection (e) of section 311 of the Taxpayer*
5 *Relief Act of 1997 is repealed.*

6 (2) *Section 1(h) is amended—*

7 (A) *by striking paragraphs (2) and (9),*

8 (B) *by redesignating paragraphs (3)*
9 *through (8) as paragraphs (2) through (7), re-*
10 *spectively, and*

11 (C) *by redesignating paragraphs (10), (11),*
12 *and (12) as paragraphs (8), (9), and (10), re-*
13 *spectively.*

14 (3) *Paragraph (3) of section 55(b) is amended by*
15 *striking “In the case of taxable years beginning after*
16 *December 31, 2000, rules similar to the rules of sec-*
17 *tion 1(h)(2) shall apply for purposes of subpara-*
18 *graphs (B) and (C).”.*

19 (4) *Paragraph (7) of section 57(a) is amended*
20 *by striking the last sentence and by striking “42 per-*
21 *cent” and inserting “28 percent”.*

22 (c) *TRANSITIONAL RULES FOR TAXABLE YEARS*
23 *WHICH INCLUDE OCTOBER 12, 2001.—For purposes of ap-*
24 *plying section 1(h) of the Internal Revenue Code of 1986*

1 *in the case of a taxable year which includes October 12,*
2 *2001—*

3 *(1) The amount of tax determined under sub-*
4 *paragraph (B) of section 1(h)(1) of such Code shall be*
5 *the sum of—*

6 *(A) 8 percent of the lesser of—*

7 *(i) the sum of—*

8 *(I) the net capital gain taking*
9 *into account only gain or loss properly*
10 *taken into account for the portion of*
11 *the taxable year on or after October 12,*
12 *(determined without regard to collect-*
13 *ibles gain or loss, gain described in sec-*
14 *tion (1)(h)(6)(A)(i) of such Code, and*
15 *section 1202 gain), and*

16 *(II) the qualified 5-year gain (as*
17 *defined in section 1(h)(9) of the Inter-*
18 *nal Revenue Code of 1986, as in effect*
19 *on the day before the date of the enact-*
20 *ment of this Act) properly taken into*
21 *account for the portion of the taxable*
22 *year before October 12, 2001, or*

23 *(ii) the amount on which a tax is de-*
24 *termined under such subparagraph (without*
25 *regard to this subsection), plus*

1 (B) 10 percent of the excess (if any) of—

2 (i) the amount on which a tax is deter-
3 mined under such subparagraph (without
4 regard to this subsection), over

5 (ii) the amount on which a tax is de-
6 termined under subparagraph (A).

7 (2) The amount of tax determined under sub-
8 paragraph (C) of section (1)(h)(1) of such Code shall
9 be the sum of—

10 (A) 18 percent of the lesser of—

11 (i) the excess (if any) of the amount of
12 net capital gain determined under subpara-
13 graph (A)(i)(I) of paragraph (1) of this sub-
14 section over the amount on which a tax is
15 determined under subparagraph (A) of
16 paragraph (1) of this subsection, or

17 (ii) the amount on which a tax is de-
18 termined under such subparagraph (C)
19 (without regard to this subsection), plus

20 (B) 20 percent of the excess (if any) of—

21 (i) the amount on which a tax is deter-
22 mined under such subparagraph (C) (with-
23 out regard to this subsection), over

1 (ii) the amount on which a tax is de-
2 termined under subparagraph (A) of this
3 paragraph.

4 (3) For purposes of applying section 55(b)(3) of
5 such Code, rules similar to the rules of paragraphs (1)
6 and (2) of this subsection shall apply.

7 (4) In applying this subsection with respect to
8 any pass-thru entity, the determination of when gains
9 and loss are properly taken into account shall be
10 made at the entity level.

11 (5) Terms used in this subsection which are also
12 used in section 1(h) of such Code shall have the re-
13 spective meanings that such terms have in such sec-
14 tion.

15 (d) *EFFECTIVE DATES.*—

16 (1) *IN GENERAL.*—*Except as otherwise provided*
17 *by this subsection, the amendments made by this sec-*
18 *tion shall apply to taxable years ending on or after*
19 *October 12, 2001.*

20 (2) *WITHHOLDING.*—*The amendment made by*
21 *subsection (a)(2)(C) shall apply to amounts paid*
22 *after the date of the enactment of this Act.*

23 (3) *ELECTION TO RECOGNIZE GAIN ON ASSESTS*
24 *HELD ON JANUARY 1, 2001.*—*The repeal made by sub-*
25 *section (b)(1) shall take effect as if included in section*

1 311 of the Taxpayer Relief Act of 1997, and the Inter-
2 nal Revenue Code of 1986 shall be applied and ad-
3 ministered as if subsection (e) of such section 311 had
4 never been enacted.

5 (4) *SMALL BUSINESS STOCK.*—The amendments
6 made by subsection (b)(4) shall apply to dispositions
7 on or after October 12, 2001.

8 **SEC. 203. TEMPORARY INCREASE IN DEDUCTION FOR CAP-**
9 **ITAL LOSSES OF TAXPAYERS OTHER THAN**
10 **CORPORATIONS.**

11 (a) *IN GENERAL.*—Subsection (b) of section 1211 (re-
12 lating to limitation on capital losses for taxpayers other
13 than corporations) is amended by adding at the end the
14 following flush sentence:

15 “Paragraph (1) shall be applied by substituting ‘\$4,000’ for
16 ‘\$3,000’ and ‘\$2,000’ for ‘\$1,500’ in the case of taxable
17 years beginning in 2001, and by substituting ‘\$5,000’ for
18 ‘\$3,000’ and ‘\$2,500’ for ‘\$1,500’ in the case of taxable
19 years beginning in 2002.”.

20 (b) *EFFECTIVE DATE.*—The amendment made by sub-
21 section (a) shall apply to taxable years beginning after De-
22 cember 31, 2000.

1 **SEC. 204. TEMPORARY EXPANSION OF PENALTY-FREE RE-**
2 **TIREMENT PLAN DISTRIBUTIONS FOR**
3 **HEALTH INSURANCE PREMIUMS OF UNEM-**
4 **PLOYED INDIVIDUALS.**

5 (a) *IN GENERAL.*—Subparagraph (D) of section
6 72(t)(2) is amended by adding at the end the following new
7 clause:

8 “(iv) *SPECIAL RULES FOR INDIVID-*
9 *UALS RECEIVING UNEMPLOYMENT COM-*
10 *PENSATION AFTER SEPTEMBER 10, 2001, AND*
11 *BEFORE JANUARY 1, 2003.*—*In the case of an*
12 *individual who receives unemployment com-*
13 *ensation for 4 consecutive weeks after Sep-*
14 *tember 10, 2001, and before January 1,*
15 *2003—*

16 “(I) *clause (i) shall apply to dis-*
17 *tributions from all qualified retirement*
18 *plans (as defined in section 4974(c)),*
19 *and*

20 “(II) *such 4 consecutive weeks*
21 *shall be substituted for the 12 consecu-*
22 *tive weeks referred to in subclause (I)*
23 *of clause (i).”*

24 (b) *EFFECTIVE DATE.*—*The amendment made by this*
25 *section shall apply to distributions after the date of the en-*
26 *actment of this Act.*

1 **TITLE III—EXTENSIONS OF**
2 **CERTAIN EXPIRING PROVISIONS**
3 **Subtitle A—Two-Year Extensions**

4 **SEC. 301. ALLOWANCE OF NONREFUNDABLE PERSONAL**
5 **CREDITS AGAINST REGULAR AND MINIMUM**
6 **TAX LIABILITY.**

7 (a) *IN GENERAL.*—Paragraph (2) of section 26(a) is
8 amended—

9 (1) *by striking “RULE FOR 2000 AND 2001.—”*
10 *and inserting “RULE FOR 2000, 2001, 2002, AND*
11 *2003.—”, and*

12 (2) *by striking “during 2000 or 2001,” and in-*
13 *serting “during 2000, 2001, 2002, or 2003,”.*

14 (b) *CONFORMING AMENDMENTS.*—

15 (1) *Section 904(h) is amended by striking “dur-*
16 *ing 2000 or 2001” and inserting “during 2000, 2001,*
17 *2002, or 2003”.*

18 (2) *The amendments made by sections 201(b),*
19 *202(f), and 618(f) of the Economic Growth and Tax*
20 *Relief Reconciliation Act of 2001 shall not apply to*
21 *taxable years beginning during 2002 and 2003.*

22 (c) *TECHNICAL CORRECTION.*—Section 24(d)(1)(B) is
23 amended by striking “amount of credit allowed by this sec-
24 tion” and inserting “aggregate amount of credits allowed
25 by this subpart”.

1 (d) *EFFECTIVE DATES.*—

2 (1) *The amendments made by subsections (a)*
3 *and (b) shall apply to taxable years beginning after*
4 *December 31, 2001.*

5 (2) *The amendment made by subsection (c) shall*
6 *apply to taxable years beginning after December 31,*
7 *2000.*

8 **SEC. 302. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.**

9 (a) *IN GENERAL.*—*Section 30 is amended—*

10 (1) *in subsection (b)(2)—*

11 (A) *by striking “December 31, 2001,” and*
12 *inserting “December 31, 2003,” and*

13 (B) *in subparagraphs (A), (B), and (C), by*
14 *striking “2002”, “2003”, and “2004”, respec-*
15 *tively, and inserting “2004”, “2005”, and*
16 *“2006”, respectively, and*

17 (2) *in subsection (e), by striking “December 31,*
18 *2004” and inserting “December 31, 2006”.*

19 (b) *CONFORMING AMENDMENTS.*—

20 (1) *Subparagraph (C) of section 280F(a)(1) is*
21 *amended by adding at the end the following new*
22 *clause*

23 “(iii) *APPLICATION OF SUBPARA-*
24 *GRAPH.*—*This subparagraph shall apply to*

1 *property placed in service after August 5,*
2 *1997, and before January 1, 2007.”.*

3 *(2) Subsection (b) of section 971 of the Taxpayer*
4 *Relief Act of 1997 is amended by striking “and before*
5 *January 1, 2005”.*

6 *(c) EFFECTIVE DATE.—The amendments made by this*
7 *section shall take effect on the date of the enactment of this*
8 *Act.*

9 **SEC. 303. CREDIT FOR ELECTRICITY PRODUCED FROM RE-**
10 **NEWABLE RESOURCES.**

11 *(a) IN GENERAL.—Subparagraphs (A), (B), and (C)*
12 *of section 45(c)(3) are each amended by striking “2002”*
13 *and inserting “2004”.*

14 *(b) EFFECTIVE DATE.—The amendments made by sub-*
15 *section (a) shall take effect on the date of the enactment*
16 *of this Act.*

17 **SEC. 304. WORK OPPORTUNITY CREDIT.**

18 *(a) IN GENERAL.—Subparagraph (B) of section*
19 *51(c)(4) is amended by striking “2001” and inserting*
20 *“2003”.*

21 *(b) EFFECTIVE DATE.—The amendment made by sub-*
22 *section (a) shall apply to individuals who begin work for*
23 *the employer after December 31, 2001.*

1 **SEC. 305. WELFARE-TO-WORK CREDIT.**

2 (a) *IN GENERAL.*—Subsection (f) of section 51A is
3 amended by striking “2001” and inserting “2003”.

4 (b) *EFFECTIVE DATE.*—The amendment made by sub-
5 section (a) shall apply to individuals who begin work for
6 the employer after December 31, 2001.

7 **SEC. 306. DEDUCTION FOR CLEAN-FUEL VEHICLES AND**
8 **CERTAIN REFUELING PROPERTY.**

9 (a) *IN GENERAL.*—Section 179A is amended—

10 (1) in subsection (b)(1)(B)—

11 (A) by striking “December 31, 2001,” and
12 inserting “December 31, 2003,” and

13 (B) in clauses (i), (ii), and (iii), by striking
14 “2002”, “2003”, and “2004”, respectively, and
15 inserting “2004”, “2005”, and “2006”, respec-
16 tively, and

17 (2) in subsection (f), by striking “December 31,
18 2004” and inserting “December 31, 2006”.

19 (b) *EFFECTIVE DATE.*—The amendments made by sub-
20 section (a) shall take effect on the date of the enactment
21 of this Act.

1 **SEC. 307. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLE-**
2 **TION FOR OIL AND NATURAL GAS PRODUCED**
3 **FROM MARGINAL PROPERTIES.**

4 (a) *IN GENERAL.*—Subparagraph (H) of section
5 613A(c)(6) is amended by striking “2002” and inserting
6 “2004”.

7 (b) *EFFECTIVE DATE.*—The amendment made by sub-
8 section (a) shall apply to taxable years beginning after De-
9 cember 31, 2001.

10 **SEC. 308. QUALIFIED ZONE ACADEMY BONDS.**

11 (a) *IN GENERAL.*—Paragraph (1) of section 1397E(e)
12 is amended by striking “2000, and 2001” and inserting
13 “2000, 2001, 2002, and 2003”.

14 (b) *EFFECTIVE DATE.*—The amendment made by sub-
15 section (a) shall take effect on the date of the enactment
16 of this Act.

17 **SEC. 309. COVER OVER OF TAX ON DISTILLED SPIRITS.**

18 (a) *IN GENERAL.*—Paragraph (1) of section 7652(f) is
19 amended by striking “January 1, 2002” and inserting
20 “January 1, 2004”.

21 (b) *EFFECTIVE DATE.*—The amendment made by sub-
22 section (a) shall take effect on the date of the enactment
23 of this Act.

1 **SEC. 310. PARITY IN THE APPLICATION OF CERTAIN LIMITS**
2 **TO MENTAL HEALTH BENEFITS.**

3 (a) *IN GENERAL.*—Subsection (f) of section 9812 is
4 amended by striking “2001” and inserting “2003”.

5 (b) *EFFECTIVE DATE.*—The amendment made by sub-
6 section (a) shall apply to plan years beginning after Decem-
7 ber 31, 2001.

8 **SEC. 311. DELAY IN EFFECTIVE DATE OF REQUIREMENT**
9 **FOR APPROVED DIESEL OR KEROSENE TER-**
10 **MINALS.**

11 Paragraph (2) of section 1032(f) of the Taxpayer Re-
12 lief Act of 1997 (Public Law 105–34) is amended by strik-
13 ing “January 1, 2002” and inserting “January 1, 2004”.

14 **Subtitle B—One-Year Extensions**

15 **SEC. 321. ONE-YEAR EXTENSION OF AVAILABILITY OF MED-**
16 **ICAL SAVINGS ACCOUNTS.**

17 (a) *IN GENERAL.*—Paragraphs (2) and (3)(B) of sec-
18 tion 220(i) (defining cut-off year) are each amended by
19 striking “2002” each place it appears and inserting
20 “2003”.

21 (b) *CONFORMING AMENDMENTS.*—

22 (1) Paragraph (2) of section 220(j) is amended
23 by striking “1998, 1999, or 2001” each place it ap-
24 pears and inserting “1998, 1999, 2001, or 2002”.

1 (2) *Subparagraph (A) of section 220(j)(4) is*
2 *amended by striking “and 2001” and inserting*
3 *“2001, and 2002”.*

4 (c) *EFFECTIVE DATE.—The amendments made by this*
5 *section shall take effect on the date of the enactment of this*
6 *Act.*

7 ***Subtitle C—Permanent Extensions***

8 ***SEC. 331. SUBPART F EXEMPTION FOR ACTIVE FINANCING.***

9 (a) *IN GENERAL.—*

10 (1) *Section 953(e)(10) is amended—*

11 (A) *by striking “, and before January 1,*
12 *2002,” and*

13 (B) *by striking the second sentence.*

14 (2) *Section 954(h)(9) is amended by striking “,*
15 *and before January 1, 2002,”.*

16 (b) *LIFE INSURANCE AND ANNUITY CONTRACTS.—*

17 (1) *IN GENERAL.—Subparagraph (B) of section*
18 *954(i)(4) is amended to read as follows:*

19 “*(B) LIFE INSURANCE AND ANNUITY CON-*
20 *TRACTS.—*

21 “*(i) IN GENERAL.—Except as provided*
22 *in clause (ii), the amount of the reserve of*
23 *a qualifying insurance company or quali-*
24 *fying insurance company branch for any*

1 *life insurance or annuity contract shall be*
2 *equal to the greater of—*

3 “(I) *the net surrender value of*
4 *such contract (as defined in section*
5 *807(e)(1)(A)), or*

6 “(II) *the reserve determined under*
7 *paragraph (5).*

8 “(ii) *RULING REQUEST.—The amount*
9 *of the reserve under clause (i) shall be the*
10 *foreign statement reserve for the contract*
11 *(less any catastrophe, deficiency, equali-*
12 *zation, or similar reserves), if, pursuant to*
13 *a ruling request submitted by the taxpayer,*
14 *the Secretary determines that the factors*
15 *taken into account in determining the for-*
16 *ign statement reserve provide an appro-*
17 *priate means of measuring income.”.*

18 “(c) *EFFECTIVE DATE.—The amendments made by this*
19 *section shall apply to taxable years beginning after Decem-*
20 *ber 31, 2001.*

1 ***Subtitle D—Other Provisions***

2 ***SEC. 341. EXCLUDED CANCELLATION OF INDEBTEDNESS IN-***
3 ***COME OF S CORPORATION NOT TO RESULT IN***
4 ***ADJUSTMENT TO BASIS OF STOCK OF SHARE-***
5 ***HOLDERS.***

6 (a) *IN GENERAL.*—Subparagraph (A) of section
7 108(d)(7) (relating to certain provisions to be applied at
8 corporate level) is amended by inserting before the period
9 “, including by not taking into account under section
10 1366(a) any amount excluded under subsection (a) of this
11 section”.

12 (b) *EFFECTIVE DATE.*—The amendment made by this
13 section shall apply to discharges of indebtedness after Octo-
14 ber 11, 2001, in taxable years ending after such date.

15 ***SEC. 342. LIMITATION ON USE OF NONACCRUAL EXPERI-***
16 ***ENCE METHOD OF ACCOUNTING.***

17 (a) *IN GENERAL.*—Paragraph (5) of section 448(d) is
18 amended to read as follows:

19 “(5) *SPECIAL RULE FOR CERTAIN SERVICES.*—

20 “(A) *IN GENERAL.*—In the case of any per-
21 son using an accrual method of accounting with
22 respect to amounts to be received for the perform-
23 ance of services by such person, such person shall
24 not be required to accrue any portion of such

1 *amounts which (on the basis of such person’s ex-*
2 *perience) will not be collected if—*

3 *“(i) such services are in fields referred*
4 *to in paragraph (2)(A), or*

5 *“(ii) such person meets the gross re-*
6 *ceipts test of subsection (c) for all prior tax-*
7 *able years.*

8 *“(B) EXCEPTION.—This paragraph shall*
9 *not apply to any amount if interest is required*
10 *to be paid on such amount or there is any pen-*
11 *alty for failure to timely pay such amount.*

12 *“(C) REGULATIONS.—The Secretary shall*
13 *prescribe regulations to permit taxpayers to de-*
14 *termine amounts referred to in subparagraph*
15 *(A) using computations or formulas which, based*
16 *on experience, accurately reflect the amount of*
17 *income that will not be collected by such person.*
18 *A taxpayer may adopt, or request consent of the*
19 *Secretary to change to, a computation or for-*
20 *mula that clearly reflects the taxpayer’s experi-*
21 *ence. A request under the preceding sentence*
22 *shall be approved only if such computation or*
23 *formula clearly reflects the taxpayer’s experi-*
24 *ence.”.*

25 *(b) EFFECTIVE DATE.—*

1 (1) *IN GENERAL.*—*The amendments made by*
2 *this section shall apply to taxable years ending after*
3 *the date of the enactment of this Act.*

4 (2) *CHANGE IN METHOD OF ACCOUNTING.*—*In*
5 *the case of any taxpayer required by the amendments*
6 *made by this section to change its method of account-*
7 *ing for its first taxable year ending after the date of*
8 *the enactment of this Act—*

9 (A) *such change shall be treated as initiated*
10 *by the taxpayer,*

11 (B) *such change shall be treated as made*
12 *with the consent of the Secretary of the Treasury,*
13 *and*

14 (C) *the net amount of the adjustments re-*
15 *quired to be taken into account by the taxpayer*
16 *under section 481 of the Internal Revenue Code*
17 *of 1986 shall be taken into account over a period*
18 *of 4 years (or if less, the number of taxable years*
19 *that the taxpayer used the method permitted*
20 *under section 448(d)(5) of such Code as in effect*
21 *before the date of the enactment of this Act) be-*
22 *ginning with such first taxable year.*

1 **TITLE IV—SUPPLEMENTAL**
2 **REBATE; OTHER PROVISIONS**

3 **SEC. 401. SUPPLEMENTAL REBATE.**

4 (a) *IN GENERAL.*—Section 6428 (relating to accelera-
5 tion of 10 percent income tax rate bracket benefit for 2001)
6 is amended by adding at the end the following new sub-
7 section:

8 “(f) *SUPPLEMENTAL REBATE.*—

9 “(1) *IN GENERAL.*—Each individual who was an
10 eligible individual for such individual’s first taxable
11 year beginning in 2000 and who, before October 16,
12 2001, filed a return of tax imposed by subtitle A for
13 such taxable year shall be treated as having made a
14 payment against the tax imposed by chapter 1 for
15 such first taxable year in an amount equal to the sup-
16 plemental refund amount for such taxable year.

17 “(2) *SUPPLEMENTAL REFUND AMOUNT.*—For
18 purposes of this subsection, the supplemental refund
19 amount is an amount equal to the excess (if any) of—

20 “(A)(i) \$600 in the case of taxpayers to
21 whom section 1(a) applies,

22 “(ii) \$500 in the case of taxpayers to whom
23 section 1(b) applies, and

1 “(iii) \$300 in the case of taxpayers to
2 whom subsections (c) or (d) of section 1 applies,
3 over

4 “(B) the taxpayer’s advance refund amount
5 under subsection (e).

6 “(3) *TIMING OF PAYMENTS.*—In the case of any
7 overpayment attributable to this subsection, the Sec-
8 retary shall, subject to the provisions of this title, re-
9 fund or credit such overpayment as rapidly as pos-
10 sible.

11 “(4) *NO INTEREST.*—No interest shall be allowed
12 on any overpayment attributable to this subsection.”

13 (b) *CONFORMING AMENDMENTS.*—

14 (1) Subparagraph (A) of section 6428(d)(1) is
15 amended by striking “subsection (e)” and inserting
16 “subsections (e) and (f)”.

17 (2) Subparagraph (B) of section 6428(d)(1) is
18 amended by striking “subsection (e)” and inserting
19 “subsection (e) or (f)”.

20 (3) Paragraph (3) of section 6428(e) is amended
21 by striking “December 31, 2001” and inserting “the
22 date of the enactment of the Economic Security and
23 Recovery Act of 2001”.

1 (c) *EFFECTIVE DATE.*—*The amendments made by this*
2 *section shall take effect on the date of the enactment of this*
3 *Act.*

4 **SEC. 402. SPECIAL REED ACT TRANSFER IN FISCAL YEAR**
5 **2002.**

6 (a) *REPEAL OF CERTAIN PROVISIONS ADDED BY THE*
7 *BALANCED BUDGET ACT OF 1997.*—

8 (1) *IN GENERAL.*—*The following provisions of*
9 *section 903 of the Social Security Act (42 U.S.C.*
10 *1103) are repealed:*

11 (A) *Paragraph (3) of subsection (a).*

12 (B) *The last sentence of subsection (c)(2).*

13 (2) *SAVINGS PROVISION.*—*Any amounts trans-*
14 *ferred before the date of enactment of this Act under*
15 *the provision repealed by paragraph (1)(A) shall re-*
16 *main subject to section 903 of the Social Security Act,*
17 *as last in effect before such date of enactment.*

18 (b) *SPECIAL TRANSFER IN FISCAL YEAR 2002.*—*Sec-*
19 *tion 903 of the Social Security Act is amended by adding*
20 *at the end the following:*

21 “*Special Transfer in Fiscal Year 2002*

22 “*(d)(1) The Secretary of the Treasury shall transfer*
23 *(as of the date determined under paragraph (5)(A)) from*
24 *the Federal unemployment account to the account of each*

1 *State in the Unemployment Trust Fund the amount deter-*
2 *mined with respect to such State under paragraph (2).*

3 “(2) *The amount to be transferred under this sub-*
4 *section to a State account shall (as determined by the Sec-*
5 *retary of Labor and certified by such Secretary to the Sec-*
6 *retary of the Treasury) be equal to—*

7 “(A) *the amount which would have been required*
8 *to have been transferred under this section to such ac-*
9 *count at the beginning of fiscal year 2002 if section*
10 *402(a)(1) of the Economic Security and Recovery Act*
11 *of 2001 had been enacted before the close of fiscal year*
12 *2001, minus*

13 “(B) *the amount which was in fact transferred*
14 *under this section to such account at the beginning of*
15 *fiscal year 2002.*

16 “(3)(A) *Except as provided in paragraph (4), amounts*
17 *transferred to a State account pursuant to this subsection*
18 *may be used only in the payment of cash benefits—*

19 “(i) *to individuals with respect to their unem-*
20 *ployment, and*

21 “(ii) *which are allowable under subparagraph*
22 *(B) or (C).*

23 “(B)(i) *At the option of the State, cash benefits under*
24 *this paragraph may include amounts which shall be pay-*
25 *able as regular or additional compensation for individuals*

1 *eligible for regular compensation under the unemployment*
2 *compensation law of such State.*

3 “(ii) *Any additional compensation under clause (i)*
4 *may not be taken into account for purposes of any deter-*
5 *mination relating to the amount of any extended compensa-*
6 *tion for which an individual might be eligible.*

7 “(C)(i) *At the option of the State, cash benefits under*
8 *this paragraph may include amounts which shall be pay-*
9 *able to 1 or more categories of individuals not otherwise*
10 *eligible for regular compensation under the unemployment*
11 *compensation law of such State.*

12 “(ii) *The benefits paid under this subparagraph to any*
13 *individual may not, for any period of unemployment, ex-*
14 *ceed the maximum amount of regular compensation author-*
15 *ized under the unemployment compensation law of such*
16 *State for that same period, plus any additional benefits (de-*
17 *scribed in subparagraph (B)(i)) which could have been paid*
18 *with respect to that amount.*

19 “(D) *Amounts transferred to a State account under*
20 *this subsection may be used in the payment of cash benefits*
21 *to individuals only for weeks of unemployment—*

22 “(i) *beginning after the date of enactment of this*
23 *subsection, and*

24 “(ii) *ending on or before March 11, 2003.*

1 “(4) Amounts transferred to a State account under this
2 subsection may be used for the administration of its unem-
3 ployment compensation law and public employment offices
4 (including in connection with benefits described in para-
5 graph (3) and any recipients thereof), subject to the same
6 conditions as set forth in subsection (c)(2) (excluding sub-
7 paragraph (B) thereof, and deeming the reference to ‘sub-
8 sections (a) and (b)’ in subparagraph (D) thereof to include
9 this subsection).

10 “(5) Transfers under this subsection—

11 “(A) shall be made on such date as the Secretary
12 of Labor (in consultation with the Secretary of the
13 Treasury) shall determine, but in no event later than
14 10 days after the date of enactment of this subsection,
15 and

16 “(B) may, notwithstanding any other provision
17 of this subsection, be made only to the extent that they
18 do not to exceed—

19 “(i) the balance in the Federal unemploy-
20 ment account as of the date determined under
21 subparagraph (A), or

22 “(ii) the total amount that was transferred
23 under this section to the Federal unemployment
24 account at the beginning of fiscal year 2002,
25 whichever is less.”

1 (c) *LIMITATIONS ON TRANSFERS.*—Section 903(b) of
2 *the Social Security Act shall apply to transfers under sec-*
3 *tion 903(d) of such Act (as amended by this section). For*
4 *purposes of the preceding sentence, such section 903(b) shall*
5 *be deemed to be amended as follows:*

6 (1) *By substituting “the transfer date described*
7 *in subsection (d)(5)(A)” for “October 1 of any fiscal*
8 *year”.*

9 (2) *By substituting “remain in the Federal un-*
10 *employment account” for “be transferred to the Fed-*
11 *eral unemployment account as of the beginning of*
12 *such October 1”.*

13 (3) *By substituting “fiscal year 2002 (after the*
14 *transfer date described in subsection (d)(5)(A))” for*
15 *“the fiscal year beginning on such October 1”.*

16 (4) *By substituting “under subsection (d)” for*
17 *“as of October 1 of such fiscal year”.*

18 (5) *By substituting “(as of the close of fiscal year*
19 *2002)” for “(as of the close of such fiscal year)”.*

20 (d) *TECHNICAL AMENDMENTS.*—(1) *Sections*
21 *3304(a)(4)(B) and 3306(f)(2) of the Internal Revenue Code*
22 *of 1986 are amended by inserting “or 903(d)(4)” before “of*
23 *the Social Security Act”.*

1 (2) Section 303(a)(5) of the Social Security Act is
 2 amended in the second proviso by inserting “or 903(d)(4)”
 3 after “903(c)(2)”.

4 (e) REGULATIONS.—The Secretary of Labor may pre-
 5 scribe any operating instructions or regulations necessary
 6 to carry out this section and the amendments made by this
 7 section.

8 **TITLE V—HEALTH CARE ASSIST-**
 9 **ANCE FOR THE UNEMPLOYED**

10 **SEC. 501. HEALTH CARE ASSISTANCE FOR THE UNEM-**
 11 **PLOYED.**

12 Title XX of the Social Security Act (42 U.S.C. 1397–
 13 1397f) is amended by adding at the end the following:

14 **“SEC. 2008. GRANTS FOR HEALTH CARE ASSISTANCE FOR**
 15 **THE UNEMPLOYED.**

16 “(a) FUNDING.—For purposes of section 2003, the
 17 amount specified in section 2003(c) for fiscal year 2002 is
 18 increased by \$3,000,000,000.

19 “(b) USE OF FUNDS.—Notwithstanding any other pro-
 20 vision of this title, to the extent that an amount paid to
 21 a State under section 2002 is attributable to funds made
 22 available by reason of subsection (a) of this section—

23 “(1) the State shall use the amount to assist an
 24 unemployed individual who is not eligible for Federal
 25 health coverage to purchase health care coverage for

1 *the individual or any member of the family of the in-*
2 *dividual who is not so eligible; and*

3 “(2) *the amount—*

4 “(A) *shall be used to supplement, not sup-*
5 *plant, any other Federal, State, or local funds*
6 *that are used for the provision of health care cov-*
7 *erage; and*

8 “(B) *may not be included in determining*
9 *the amount of non-Federal contributions re-*
10 *quired under any program.*

11 “(c) *DEFINITIONS.—In this section:*

12 “(1) *UNEMPLOYED INDIVIDUAL.—The term ‘un-*
13 *employed individual’ means an individual who—*

14 “(A) *is without a job (determined in accord-*
15 *ance with the criteria used by the Bureau of*
16 *Labor Statistics of the Department of Labor in*
17 *defining individuals as unemployed);*

18 “(B) *is seeking and available for work; and*

19 “(C) *has or had a benefit year (within the*
20 *meaning of section 205 of the Federal-State Ex-*
21 *tended Unemployment Compensation Act of*
22 *1970) beginning on or after January 1, 2001.*

23 “(2) *FEDERAL HEALTH COVERAGE.—*

24 “(A) *IN GENERAL.—Subject to subpara-*
25 *graph (B), the term ‘Federal health coverage’*

1 *means coverage under any medical care program*
2 *described in—*

3 “(i) *title XVIII, XIX, or XXI of this*
4 *Act (other than under section 1928);*

5 “(ii) *chapter 55 of title 10, United*
6 *States Code;*

7 “(iii) *chapter 17 of title 38, United*
8 *States Code;*

9 “(iv) *chapter 89 of title 5, United*
10 *States Code (other than coverage which is*
11 *comparable to continuation coverage under*
12 *section 4980B of the Internal Revenue Code*
13 *of 1986); or*

14 “(v) *the Indian Health Care Improve-*
15 *ment Act.*

16 “(B) *SPECIAL RULE.—Such term does not*
17 *include coverage under a qualified long-term*
18 *care insurance contract.”.*

Union Calendar No. 153

107TH CONGRESS
1ST SESSION

H.R. 3090

[Report No. 107-251]

A BILL

To provide tax incentives for economic recovery.

OCTOBER 17, 2001

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed